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OFFICE OF THE AUDITOR GENERAL

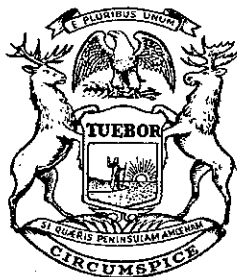
## AUDIT REPORT

PERFORMANCE AUDIT  
OF THE

BUREAU OF CORRECTIONAL INDUSTRIES

DEPARTMENT OF CORRECTIONS

June 2009



THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL



The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:  
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Michigan  
*Office of the Auditor General*  
REPORT SUMMARY

*Performance Audit*

Report Number:  
471-0130-08

*Bureau of Correctional Industries*

*Department of Corrections*

Released:  
June 2009

*The Bureau of Correctional Industries (BCI), Department of Corrections (DOC), employs prisoners to produce products and provide services for sale to governmental entities and nonprofit organizations in Michigan and other states. BCI goals include providing professional growth opportunities for staff and marketable job skills to prisoners of DOC.*

***Audit Objective:***

To assess the effectiveness of BCI's efforts to efficiently provide products and services.

***Audit Conclusion:***

We concluded that BCI's efforts to efficiently provide products and services were not effective. We noted one material condition (Finding 1) and three reportable conditions (Findings 2 through 4).

***Material Condition:***

BCI needs to initiate further measures to ensure that it operates as a total self-supporting system (Finding 1).

***Reportable Conditions:***

BCI had not developed and implemented a comprehensive business plan (Finding 2).

BCI did not efficiently schedule and utilize its trucks and drivers for delivery of products and services (Finding 3).

BCI had not established comprehensive policies and procedures for setting prices and discounts for products and services (Finding 4).

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***Audit Objective:***

To assess the effectiveness of BCI's efforts to provide marketable job skills to prisoners.

***Audit Conclusion:***

We concluded that BCI's efforts to provide marketable job skills to prisoners were moderately effective. We noted one reportable condition (Finding 5).

***Reportable Condition:***

BCI had not established a comprehensive continuous quality improvement (CQI) process to evaluate and improve the effectiveness of its operations (Finding 5).

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***Audit Objective:***

To assess the effectiveness of BCI's efforts to market products and services.

***Audit Conclusion:***

We concluded that BCI's efforts to market products and services were moderately effective. We noted one reportable condition (Finding 6).

***Reportable Condition:***

BCI had not developed a comprehensive marketing strategy (Finding 6).

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***Audit Objective:***

To assess the effectiveness of BCI's efforts to provide products and services of a quality that meets or exceeds customer expectations.

***Audit Conclusion:***

We concluded that BCI's efforts to provide products and services of a quality that meets or exceeds customer expectations were moderately effective. We noted one reportable condition (Finding 7).

***Reportable Condition:***

BCI had not actively surveyed its customers to determine whether its products and services met or exceeded customer expectations (Finding 7).

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***Agency Response:***

Our audit report includes 7 findings and 7 corresponding recommendations. DOC's preliminary response indicated that it agrees and will comply with all of the recommendations.

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A copy of the full report can be  
obtained by calling 517.334.8050  
or by visiting our Web site at:  
<http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

June 9, 2009

Ms. Patricia L. Caruso, Director  
Department of Corrections  
Grandview Plaza Building  
Lansing, Michigan

Dear Ms. Caruso:

This is our report on the performance audit of the Bureau of Correctional Industries, Department of Corrections.

The report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; five exhibits, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.  
Auditor General







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## Description of Agency

The Bureau of Correctional Industries (BCI), doing business as Michigan State Industries (MSI), operates under the authority of the Department of Corrections (DOC), specifically under Sections 800.321 - 800.334 of the *Michigan Compiled Laws*. Section 800.325 of the *Michigan Compiled Laws* created the Correctional Industries Revolving Fund, a self-supporting fund, to account for BCI operations.

According to its mission\* statement, BCI will produce products and provide services that meet or exceed customer expectations while providing professional growth opportunities for staff and marketable job skills to prisoners of DOC. Through these accomplishments, BCI will remain economically sound and will make a continuous, positive contribution to the State of Michigan.

BCI operates 28 factories in 13 prisons and 1 camp. Some of the major commodities manufactured or produced by BCI are office furniture, including desks, chairs, tables, cabinets, and partitions; garments, including prisoner clothing, officer uniforms, and shoes; and other products, including bed linens, towels, blankets, vehicle license plates, road signs, binders, folders, corrugated cartons, cleaning chemicals, dimensional lumber, eye glasses, dentures, and dairy, beef, pork, and turkey products. Also, BCI runs four institutional laundry facilities, a furniture refinishing operation, and a print shop.

BCI sells its products and services to governmental entities and nonprofit organizations in Michigan and other states. Throughout the year, approximately 1,900 prisoners fill approximately 1,000 full-time equated work assignments within BCI. As of September 30, 2008, there were 176 BCI employees at the BCI central office and factories. Fiscal year 2006-07 sales were \$46.7 million with a net income of \$.6 million. Fiscal year 2007-08 sales were \$41.4 million with a net loss of \$2.7 million.

\* See glossary at end of report for definition.



## **Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up**

### **Audit Objectives**

Our performance audit\* of the Bureau of Correctional Industries (BCI), Department of Corrections (DOC), had the following objectives:

1. To assess the effectiveness\* of BCI's efforts to efficiently provide products and services.
2. To assess the effectiveness of BCI's efforts to provide marketable job skills to prisoners.
3. To assess the effectiveness of BCI's efforts to market products and services.
4. To assess the effectiveness of BCI's efforts to provide products and services of a quality that meets or exceeds customer expectations.

### **Audit Scope**

Our audit scope was to examine the program and other records of the Bureau of Correctional Industries. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, conducted from April through September 2008, generally covered the period October 2005 through July 2008.

Supplemental information was provided by DOC and is presented in Exhibits 1 and 2. Our audit was not directed toward expressing a conclusion on this information and, accordingly, we express no conclusion on it.

\* See glossary at end of report for definition.



### Audit Methodology

To establish our audit objectives and to gain an understanding of BCI activities, we conducted a preliminary review of BCI operations. This included discussions with various BCI staff regarding their functions and responsibilities and a review of program records, DOC policy directives, and BCI operating procedures. We visited 8 factories and the warehouse/distribution center. We reviewed policy and mission statements, goals\* and objectives\*, annual reports, and financial data. We conducted tests of records to determine compliance with established policies and procedures.

To accomplish our first objective, we interviewed BCI management and staff. We also obtained and analyzed selected data regarding distribution and warehouse operations, sales, and inventory. In addition, we reviewed financial statement and expenditure data for various products and factories and product pricing methods.

To accomplish our second audit objective, we interviewed BCI management and reviewed BCI's methods to evaluate prisoners employed in its factories. We also reviewed a sample of parolees to determine if the parolees who had worked for BCI had reported wage earnings or if they had returned to prison.

To accomplish our third audit objective, we interviewed BCI management and sales staff. We also reviewed sales meeting minutes and sales data and surveyed BCI customers and potential BCI customers.

To accomplish our fourth audit objective, we interviewed BCI management and staff. We also reviewed BCI's complaint processing to determine if complaints were handled in a timely fashion and properly resolved. In addition, we surveyed BCI customers and potential BCI customers regarding their association and awareness of BCI (see Exhibits 4 and 5, presented as supplemental information).

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

\* See glossary at end of report for definition.



#### Agency Responses and Prior Audit Follow-Up

Our audit report includes 7 findings and 7 corresponding recommendations. DOC's preliminary response indicated that it agrees and will comply with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require DOC to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Bureau of Correctional Industries, Department of Corrections (47-130-02), in June 2003. Within the scope of this audit, we followed up 6 of the 7 prior audit recommendations. BCI complied with 3 of the prior audit recommendations, and 3 of the prior audit recommendations were rewritten for inclusion in this report.



COMMENTS, FINDINGS, RECOMMENDATIONS,  
AND AGENCY PRELIMINARY RESPONSES



## **EFFECTIVENESS OF EFFORTS TO EFFICIENTLY PROVIDE PRODUCTS AND SERVICES**

### **COMMENT**

**Audit Objective:** To assess the effectiveness of the Bureau of Correctional Industries' (BCI's) efforts to efficiently provide products and services.

**Audit Conclusion:** We concluded that BCI's efforts to efficiently provide products and services were not effective. Our assessment disclosed one material condition\*. BCI needs to initiate further measures to ensure that it operates as a total self-supporting system (Finding 1).

Our assessment also disclosed three reportable conditions\* related to a business plan, scheduling and utilization, and price setting (Findings 2 through 4).

### **FINDING**

#### **1. Unprofitable Operations**

BCI needs to initiate further measures to ensure that it operates as a total self-supporting system.

BCI's financial statements, as presented in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*, reported net income (loss) of (\$2,926,000), (\$2,291,000), \$352,000, and (\$2,182,000) for fiscal years 2004-05, 2005-06, 2006-07, and 2007-08, respectively (see Exhibit 3, presented as supplemental information). The net income in fiscal year 2006-07 resulted from the production of new standard license plates, which were required by Act 177, P.A. 2006. While it is not the mission of BCI to maximize profits, Section 11(2) of the Correctional Industries Act (Section 800.331(2) of the *Michigan Compiled Laws*) requires BCI to be "a total self-supporting system." The continuance of certain unprofitable activities could potentially threaten the sustainability of the entire organization.

BCI's initiatives to reduce costs included closing two factories for an estimated cost savings of \$283,313 and reducing administrative staff by 20% through staff attrition, saving BCI \$370,000 annually. Also, BCI informed us that it moved its

\* See glossary at end of report for definition.



shoe and sign operations to another existing factory, resulting in staff alignments; canceled lease rentals for two sales offices; and built a new distribution center and canceled the lease on the existing distribution center. These combined efforts resulted in annual estimated cost savings of \$468,936, \$27,295, and \$151,592, respectively. BCI should continue to evaluate its operations to identify additional cost-saving measures. We identified the following circumstances that warrant management attention in relation to BCI's statutory requirement to be a total self-supporting system:

- a. BCI sustained financial losses in at least two fiscal years at 13 (46%) of its 28 factories during fiscal years 2004-05 through 2006-07 (see Exhibit 1, presented as supplemental information).
- b. BCI incurred significant factory supervision expenses in the 13 unprofitable factories noted in part a. of this finding, resulting in total factory supervision expenses ranging from 9% to 355%, with an average of 83%, of net sales for fiscal years 2004-05 through 2006-07. For the 15 remaining factories, the total factory supervision expenses ranged from 6% to 71%, with an average of 29%, of net sales for fiscal years 2004-05 through 2006-07.
- c. BCI paid prisoners a total of \$1,051,338 (29%) of its \$3,634,041 total prisoner labor expenses for idle time or for time not attributable to production in fiscal years 2004-05 through 2006-07.

BCI management informed us that it did not have the flexibility to reduce factory supervision and labor cost during periods of lower production. This resulted in proportionately higher expenses in less profitable factories.

- d. BCI did not have a business plan, a continuous quality improvement process, and a comprehensive marketing strategy as noted in Findings 2, 5, and 6.

### **RECOMMENDATION**

We recommend that BCI initiate further measures to ensure that it operates as a total self-supporting system.



## **AGENCY PRELIMINARY RESPONSE**

BCI informed us that it agrees with Finding 1; however, it disagrees that Finding 1 is a material condition. BCI informed us that, beginning December 2007, DOC and BCI began engaging a nationally recognized supply chain firm to assist DOC and BCI to fundamentally streamline the BCI comprehensive realignment plan and implement a properly integrated system. BCI indicated that this integrated strategy identified 30 plus savings opportunities for BCI. BCI indicated that it has begun realigning its factories and administration to save \$1 million annually. Upon final completion of DOC and BCI's realignment plan, BCI believes that it will save an additional \$3 million per year fully regaining self-sufficiency. For example:

- BCI informed us that, beginning in June 2008, DOC and BCI created a collaborative, integrated, and inclusive supply chain strategy that includes defined continuous quality improvement measures. BCI believes that the plan identifies efficiencies and strategies to reduce operating costs, maintain security, and improve department-wide resource utilization. BCI also believes that by the completion of the implementation of the supply chain infrastructure, BCI will reduce distribution costs by \$500,000 annually.
- BCI informed us that, by moving the shoe factory to a more efficient building, it avoided \$350,000 in costly electrical updates to the former building. BCI also informed us that the net result of the savings allowed BCI to reduce the cost of producing prisoner shoes for DOC.
- BCI informed us that DOC and BCI performed a feasibility study during fiscal year 2008 for consolidating the purchasing and accounts payable functions of Grandview Plaza and BCI. BCI indicated that this realignment was successfully implemented in March 2009 realizing cost savings to DOC and BCI of \$150,00 annually.
- BCI informed us that Act 102, P.A. 2007, expanded BCI's sales market to include being able to sell cut and sewn textiles to the public. BCI indicated that the change in the public act immediately created the ability to create strategic alliances between BCI and two private vendors to make cut and sewn textiles for wholesale increasing BCI's market and sales opportunities.



BCI informed us that a total of \$1,051,338 in indirect labor expense for prisoner wages accounts for only .004% of the overall MSI operating costs, which it believes is not material to the overall cost of the operation. BCI indicated that during periods of lower production, BCI continues to strive to put prisoners in work situations providing life skill development and preparing prisoners for the next planned production cycles at the factory.

BCI believes that it provides intrinsic value to prisoner labor in several ways such as prisoners learning how to maintain a job, job skills learned while working for BCI, and the potential for reduced recidivism rates among prisoners that are paroled that worked for BCI. BCI believes that it also enhances safety and security by employing over 1,000 prisoners on any given day.

BCI indicated that it produces many of the goods and services that DOC needs on a daily basis (e.g., prisoner clothing, officer uniforms, linens, cleaning products, laundry, mattresses, and foot lockers). BCI also indicated that, if not for BCI, DOC would have to purchase these goods and services from other suppliers and would not receive the prisoner workforce development benefits, custody/security enhancements, and decreased idleness currently provided through BCI.

## **FINDING**

### **2. Business Plan**

BCI had not developed and implemented a comprehensive business plan.

A well-developed comprehensive business plan may have helped to prevent or lessen the financial losses sustained during the audit period as noted in Finding 1. Developing and implementing a business plan will help BCI to determine its long-range plans and help guide its operations. Also, it will help BCI evaluate the viability of its operations before expending its resources.

A business plan typically describes the major characteristics of an entity, such as products and services, industry, market, manner of operating (production, marketing, and management), and financial outcomes, with an emphasis on the entity's present and future. Also, a business plan provides a basis for BCI to assess its operations and to verify that business strategies are appropriate.



Our review disclosed:

- a. BCI had not identified its non-State customer's needs.

BCI non-State customers accounted for 64% and 68% of the total BCI customers in fiscal year 2005-06 and fiscal year 2006-07, respectively. However, the related revenue activity accounted for only \$2.6 million (6%) of the \$42.0 million and \$2.2 million (5%) of the \$46.7 million in sales for fiscal year 2005-06 and fiscal year 2006-07, respectively. Also, the majority (66%) of the sales to the non-State customers were for purchases of less than \$1,000.

BCI identified a need to increase its sales to non-State organizations in a business projections report for fiscal years 2003-04 and 2004-05; however, no studies were documented to determine if this would be economically sound. For example, BCI could not determine the proportion of sales staff efforts attributable to non-State customer sales and had not surveyed current or potential customers to identify additional business opportunities (see Finding 6).

Identifying its customer needs will help BCI ensure that it competes in the right markets and provides the right products and services as noted in BCI's mission statement. Also, this will help BCI ensure that its efforts are directed toward customers who recognize BCI's value and who will purchase products and services to ensure that BCI maximizes its sales.

- b. BCI did not ensure that jobs performed by prisoners provided marketable skills for outside of prison.

Offering relevant employment training could assist prisoners with employment upon their release.

BCI monitored "soft skills" of prisoners, including arriving to work on time, following directions, and putting forth a consistent effort while at work. However, BCI informed us that it did not have the ability to track if prisoners received adequate job training that provided the necessary tools to obtain viable employment when released from prison. As noted in Finding 5, BCI



could determine this by identifying the percentage of BCI prisoner employees who obtain marketable job skills resulting in gainful employment after prison.

DOC has created the Office of Employment Readiness, incorporating education, the Prison Build Program, and Michigan State Industries (MSI) with the goal to improve academic opportunities and vocational skills for prisoners preparing to return to the community. With this new emphasis, a business plan would help ensure that BCI factories provide marketable job skills training in order to meet its goals.

### **RECOMMENDATION**

We recommend that BCI develop and implement a comprehensive business plan.

### **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it will comply by creating a comprehensive business plan that will be updated annually.

### **FINDING**

#### **3. Scheduling and Utilization**

BCI did not efficiently schedule and utilize its trucks and drivers for delivery of products and services. As a result, BCI made deliveries to the same destinations within seven days and incurred overtime costs.

Improving the scheduling and utilization of its trucks and drivers will help BCI to ensure that its resources are used efficiently to schedule, monitor, and deliver products and services.

BCI's central distribution center in Jackson provides delivery of finished products from its factories directly to DOC facilities and Michigan customers. Also, BCI has separate delivery operations for its agribusiness and laundry operations.

BCI factories notify the distribution center when product orders are ready to ship. The distribution center coordinates the pickup and delivery of orders or products by geographic area.



BCI distribution center trucks pick up products from factories in Adrian and Plymouth on average 2 and 4 days each week, respectively, and provide additional delivery or shuttle service among the factories in the Jackson area and the DOC Central Regional Warehouse, located in Jackson. Also, BCI distribution center trucks pick up and deliver factory products to the Upper Peninsula facilities on a weekly basis.

Our review noted:

- a. BCI did not determine if fixed routes with regularly scheduled deliveries would be more efficient for its central distribution center. Also, BCI did not consider coordinating its distribution center delivery schedules with existing agribusiness and laundry delivery schedules where feasible.

Fixed routes and regularly scheduled deliveries may assist in planning and consolidating shipments, resulting in fewer deliveries and lower costs.

BCI trucks for agribusiness and laundry services follow fixed, regular schedules and service many of the same facilities as the distribution center.

We reviewed BCI central distribution activity for a two-month period. We excluded the regularly scheduled activity for the distribution center, agribusiness, and laundry services, as noted in this finding. We found that BCI distribution trucks made 69 (33%) of 212 deliveries in August 2007 and 55 (59%) of 94 deliveries in February 2008 to the same destination within seven days. BCI did not maintain documentation to support whether trucks were appropriately loaded at the time of these deliveries to justify that trucks were used efficiently.

- b. The BCI distribution center did not track and monitor driver activity to determine reasons for overtime. The BCI distribution center incurred employee overtime of \$87,852 in fiscal year 2005-06 and \$106,105 in fiscal year 2006-07 or 32% and 39% of total BCI employee overtime during those respective periods.

Tracking and monitoring driver activity could help eliminate unnecessary overtime.



While BCI distribution center drivers spend most of their hours on the road, BCI did not monitor driver hours spent in unloading or loading product, normal traffic delays in urban areas, or time spent waiting for entry and exit at DOC facility sallyports\* in order to design more efficient schedules. In addition, BCI did not track special delivery requests, such as movement of DOC assets between facilities, shipment of non-BCI products to other DOC program activities, or the retrieval of materials for recycling.

- c. BCI did not perform an analysis to determine the proper size of its distribution center fleet.

Continuous assessment of fleet utilization is essential to ensure that BCI makes the most efficient use of resources, and provides a basis for procuring equipment in the future.

BCI leases five trucks and nine tractor/trailer trucks through Vehicle and Travel Services, Department of Management and Budget. The average monthly lease rates for each truck and tractor/trailer combination were \$1,370 and \$1,722, respectively.

We reviewed the daily load sheets for the 43 non-holiday weekdays during the months of August 2007 and February 2008 and noted that the level of BCI distribution activity frequently left trucks and tractor/trailer trucks unused. We determined that the utilization rates for BCI's trucks and tractor/trailer trucks were 53% and 47%, respectively, during this two-month period. We estimated that the annual cost of the idle trucks for this period was \$69,004.

### **RECOMMENDATION**

We recommend that BCI improve its scheduling and utilization of trucks and drivers for delivery of products and services.

### **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it has contracted with a nationally recognized supply chain firm to conduct an evaluation of BCI's scheduling and utilization of trucks and drivers.

\* See glossary at end of report for definition.



## **FINDING**

### **4. Price Setting**

BCI had not established comprehensive policies and procedures for setting prices and discounts for products and services.

Section 11(3)(b) of the Correctional Industries Act (Section 800.331(3)(b) of the *Michigan Compiled Laws*) requires BCI to set its prices to at least recapture all direct and indirect costs. Without policies and procedures that include pricing considerations such as costs for materials, labor, and factory and administrative overhead, prices and discounts were established without appropriate justification.

BCI informed us that it had developed a cost estimate procedure; however, the procedure did not document factors including profit markup, competition pricing, and what the market will bear.

We reviewed prices of 92 top dollar sale items from select BCI factories. These 92 items made up 35% of total BCI sales during the period October 1, 2005 through April 14, 2008. Our review disclosed:

a. BCI did not document its justification for product pricing.

As of April 14, 2008, 23 (25%) of 92 products and services were priced below cost; however, BCI did not document justification for the prices. The prices for these items ranged from 1% to 92% below cost with an average of 22% below cost. Also, 16 of the 23 items priced below cost were from six factories that reported losses in fiscal year 2005-06 and fiscal year 2006-07. In addition, two of the six factories with losses sold 9 items that accounted for 27% (\$215,664) and 35% (\$37,313) of factory invoices, respectively. Prices below cost could have contributed to the unprofitability of some factories. The prices for 69 (75%) products and services exceeded costs from 1% to 225% with an average of 48%, which could have contributed to the profitability of other functions. Again, there was no documentation to justify the prices.

Documenting the justification can help ensure that BCI sets pricing in a consistent manner and that all factors are considered. Also, it will help BCI to ensure that prices are competitive and relevant to costs or other market considerations.



BCI management informed us that prices for products set during our audit period were established using various methods, including prior year gross margin rates, a straight markup for all items, and price changes for selected products.

- b. BCI did not make timely adjustments to selling prices to reflect cost changes for materials. As a result, BCI might not recoup its full product cost, which will result in greater losses or less profit.

BCI informed us that it periodically reviews and adjusts selling prices to account for changes in product cost. However, we determined that for 19 (83%) of the 23 items priced below cost, as noted in part a., BCI had recalculated product costs but had not adjusted the selling prices. The newer cost calculations were prepared from 4 months to 5 years after establishment of the prices that were still being used for sales. For the remaining 4 items priced below cost, BCI updated its product selling price after the most recent cost calculation; however, the selling price was still below cost, and BCI had not documented the reason.

#### **RECOMMENDATION**

We recommend that BCI establish comprehensive policies and procedures for setting prices and discounts for products and services.

#### **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it will work to comply by establishing comprehensive policies and procedures for setting prices and discounts for products and services, including documenting the justification for product pricing and a process to make timely adjustments to pricing to reflect cost changes for materials and overhead.

### **EFFECTIVENESS OF EFFORTS TO PROVIDE MARKETABLE JOB SKILLS TO PRISONERS**

#### **COMMENT**

**Audit Objective:** To assess the effectiveness of BCI's efforts to provide marketable job skills to prisoners.



**Audit Conclusion:** We concluded that BCI's efforts to provide marketable job skills to prisoners were moderately effective. Our assessment disclosed one reportable condition related to performing continuous quality improvement\* (Finding 5).

## **FINDING**

### **5. Continuous Quality Improvement (CQI)**

BCI had not established a comprehensive CQI process to evaluate and improve the effectiveness of its operations.

Without a comprehensive CQI process, DOC could not evaluate program performance critical to identifying and making needed program revisions to ensure that BCI effectively used its funds.

BCI's mission is to produce products and provide services that meet or exceed customer expectations while providing professional growth opportunities for staff and marketable job skills to prisoners of DOC. BCI's mission states that, through these accomplishments, it will remain economically sound and will make a continuous, positive contribution to the State of Michigan. BCI believes that sufficient work assignments will affect crime reduction, prison management, and prisoner self-sufficiency. BCI employed an average of 1,881 prisoners annually and 3,046 prisoners during our audit period of October 1, 2005 through April 30, 2008.

A comprehensive CQI process defines the mission, goals, and objectives of an organization and focuses on the needs and expectations of internal and external customers. Such a process should include performance indicators\* for measuring outputs\* and outcomes\*; performance standards\* or goals that describe the desired level of outputs and outcomes based on management expectations, peer group performance, and/or historical performance; a management information system to accurately gather relevant output and outcome data on a timely basis; a comparison of the actual data to desired outputs and outcomes; a reporting of the comparison results to management; and recommendations to improve effectiveness and efficiency\* or change the desired performance standards or goals. Also, a comprehensive CQI process has an underlying philosophy that is team oriented and open to making changes on a continuous basis to improve organizational processes.

\* See glossary at end of report for definition.



Our analysis of BCI operations disclosed:

- a. BCI had not developed comprehensive performance indicators for measuring outputs and outcomes of its operations.

Performance indicators are critical to providing a measurement focus and a basis for evaluating operations. Some valid performance indicators of BCI's operations would include:

- (1) Percentage of BCI prisoner employees who obtain marketable job skills resulting in gainful employment after prison (see Finding 2).
  - (2) Percentage of BCI prisoner employees who return to prison within predetermined time frames, such as after 2 years or 5 years.
  - (3) Percentage of BCI factories that increase their percentage of sales to DOC, other State departments, and non-State buyers.
  - (4) Percentage of prison population employed.
  - (5) Percentage of BCI profitable factories (see Finding 1).
  - (6) Percentage of customers satisfied with BCI products and services (see Finding 7).
- b. BCI had not established output and outcome standards or goals for its operations. As a result, BCI did not have criteria in place to evaluate the achieved level of performance.

For example, BCI developed a prisoner program and work assignment evaluation form for prisoner employees. The form included basic job skills, such as whether a prisoner employee is timely, works with others, and follows instructions and rules. However, BCI did not summarize and evaluate this information as a whole. Therefore, BCI could not determine whether prisoner employee performance met or exceeded BCI's expectations and, consequently, BCI could not accurately assess whether it had achieved its overall mission.



- c. BCI had not developed methods to compare actual data with desired performance.

Comparing actual performance with desired performance will help BCI to analyze performance gaps and consider changes to improve its effectiveness. For example, in Finding 1, we analyzed prisoner labor expense between profitable and unprofitable factories.

- d. BCI needs to develop its management information system to provide more useful reporting data to management.

Further development of its management information system would allow BCI to generate data in a format useful for management's analysis and decision making.

A management information system assists management in gathering accurate performance data, comparing performance data with desired outcomes, reporting the comparison results to management, and proposing changes for improving the effectiveness of BCI operations.

BCI utilizes an Enterprise Resource Planning software system to account for its sales, manufacturing and overhead costs, inventory, and delivery and invoicing of products and services. BCI management informed us that this system does not easily allow it to retrieve prior period information, sort or summarize data to identify trends, or perform other analysis.

We attempted to identify measurable factors during our audit, including the number of former prisoner employees who were on parole or discharged and the percentage who were gainfully employed. This data was not available for our audit period because DOC had not tracked this information. During our fieldwork, BCI informed us that it was in the process of developing measurable performance indicators and standards to assist in evaluating its overall operations, including manufacturing and delivery of products and services.

### **RECOMMENDATION**

We recommend that BCI establish a comprehensive CQI process to evaluate and improve the effectiveness of its operations.



## **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it has contracted with a nationally recognized supply chain firm that specializes in CQI initiatives to assist BCI in establishing a comprehensive CQI process.

## **EFFECTIVENESS OF EFFORTS TO MARKET PRODUCTS AND SERVICES**

### **COMMENT**

**Audit Objective:** To assess the effectiveness of BCI's efforts to market products and services.

**Audit Conclusion:** We concluded that BCI's efforts to market products and services were moderately effective. Our assessment disclosed one reportable condition related to developing a comprehensive marketing strategy (Finding 6).

### **FINDING**

#### **6. Comprehensive Marketing Strategy**

BCI had not developed a comprehensive marketing strategy. As a result, BCI cannot ensure that it is effectively marketing its products and services.

A comprehensive marketing strategy that targets key potential user organizations, disseminates written information to potential user organizations, and provides opportunities for initial contacts could maximize purchasers and help ensure that organizations receive accurate and timely information about BCI.

We noted:

- a. BCI had not developed a formal marketing plan.

Without a marketing plan, BCI could not ensure that it contacted all potential customers.

A marketing plan targets key potential customers and provides the blueprint for communicating the value of products and/or services to customers. Also, a marketing plan could help BCI maximize customer participation and profits.



- b. BCI had not developed measurable and quantifiable goals for its sales division and staff. As a result, BCI could not determine the effectiveness and efficiency of its sales division and staff.

BCI generates reports of actual sales contacts and sales made; however, BCI management did not document a formal review of these reports to evaluate how well the sales division performed. Also, BCI management informed us that sales projections for the sales division had not been developed.

- c. BCI had not developed comprehensive sales staff training.

Training may help ensure that BCI sales staff are able to persuade potential customers that BCI products and services meet their needs. Training may also help to ensure that sales staff receive uniform instruction to perform standardized duties.

Management informed us that sales staff receive a BCI procedures manual and tour some factories during their first week; however, additional training is very limited, with the majority of training obtained through monthly sales staff meetings.

- d. BCI had not fully monitored its sales staff's marketing efforts.

Improved monitoring would help ensure that sales staff's marketing job duties were effectively performed.

BCI sales staff's marketing efforts consisted of performing periodic follow-up with current customers, making presentations to potential new customers, and disseminating information to current and potential customers. Sales staff informed management of their contacts; however, management did not systematically document a review of sales staff activity. Also, the monthly contact reports did not specify the scope of contact and whether a sale was made.

- e. BCI had not fully utilized all available sources to identify potential customers.

When new customers are established, BCI verifies agency eligibility through an Internet Web site service; however, BCI did not routinely attempt to locate



potential customers through this service. For a \$30 monthly fee, BCI could upgrade its subscription service to allow it to search for and identify all eligible agencies in a particular city.

- f. BCI had not actively surveyed current and potential customers to identify additional business opportunities.

A survey may provide BCI with information that would indicate whether current and potential customers are adequately informed of BCI products and services. As a result, BCI may have the opportunity to gain new business.

We surveyed 100 potential BCI customers and received 48 responses. Of the 48 respondents, 18 (38%) were not familiar with BCI products and services. Also, 17 of the 18 were not aware that their organizations were eligible to purchase BCI products and services.

#### **RECOMMENDATION**

We recommend that BCI develop a comprehensive marketing strategy to effectively market its products and services.

#### **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it has developed and implemented a comprehensive marketing strategy to effectively market BCI products and services. BCI also informed us that the marketing plan includes the use of survey instruments to target key potential customers, contains measurable and quantifiable goals for the sales division and staff, contains a comprehensive sales staff training plan, and properly utilizes monitoring controls to evaluate sales and marketing efforts.



## **EFFECTIVENESS OF EFFORTS TO PROVIDE PRODUCTS AND SERVICES OF A QUALITY THAT MEETS OR EXCEEDS CUSTOMER EXPECTATIONS**

### **COMMENT**

**Audit Objective:** To assess the effectiveness of BCI's efforts to provide products and services of a quality that meets or exceeds customer expectations.

**Audit Conclusion:** We concluded that BCI's efforts to provide products and services of a quality that meets or exceeds customer expectations were moderately effective. Our assessment disclosed one reportable condition related to customer surveys of product quality (Finding 7).

### **FINDING**

#### **7. Customer Surveys of Product Quality**

BCI had not actively surveyed its customers to determine whether its products and services met or exceeded customer expectations.

We surveyed 146 current customers and received 70 responses. Of the 70 respondents who rated various categories of products for individual quality, 220 (66%) of 332 ratings were excellent or good; 83 (25%) ratings were fair; and 29 (9%) ratings were poor. In addition, of the 70 respondents who rated various categories of services for individual quality, 52 (61%) of 85 ratings were excellent or good; 18 (21%) ratings were fair; and 15 (18%) ratings were poor.

We noted that BCI had established a process to address customer concerns. However, a survey would help BCI to proactively evaluate and enhance current products and services and identify potential new products based on customer needs.

### **RECOMMENDATION**

We recommend that BCI actively survey its customers to determine whether its products and services meet or exceed customer expectations.



### **AGENCY PRELIMINARY RESPONSE**

BCI agrees with the recommendation and informed us that it will work to comply by regularly surveying BCI customers to determine if it is meeting customer needs.



## SUPPLEMENTAL INFORMATION



**BUREAU OF CORRECTIONAL INDUSTRIES (BCI)**  
Department of Corrections  
Summary of Net Profit (Loss) From Operations  
Fiscal Years Ended September 30

Location	Factory	2005	2006	2007	2008
Bellamy Creek Correctional Facility	Wood Furniture	\$ (993,564)	\$ (944,143)	\$ (738,355)	\$ (644,202)
Parnall Correctional Facility	Metal Furniture	(577,983)	(824,040)	(23,369)	(723,526)
Ionia Maximum Correctional Facility	Furniture Refinishing	(361,965)	(421,808)	(415,783)	(313,312)
Marquette Branch Prison	Dairy	(333,222)	(454,756)	(337,148)	(314,197)
Lakeland Correctional Facility	Computer (1)	(260,681)	(278,951)	(308,079)	(105,746)
Parnall Correctional Facility	Jackson Laundry	(328,071)	(152,689)	(187,996)	(211,193)
Camp Ottawa	Sawmill	(162,991)	(199,077)	(195,752)	(161,832)
Ionia Maximum Correctional Facility	Chair	(179,997)	(216,408)	(143,473)	(201,669)
Ryan Correctional Facility	Geographic Information System (1)	(155,476)	(178,713)	(163,480)	(57,308)
Earnest C. Brooks Correctional Facility	Vinyl Products	(82,614)	(100,540)	(93,216)	(78,291)
Parnall Correctional Facility	Sign	30,093	(54,240)	(196,285)	(93,790)
Parnall Correctional Facility	Dairy	(301,398)	(117,031)	278,001	279,935
Robert Scott Correctional Facility	Dental Lab	(27,483)	(29,171)	(12,594)	(1,840)
Parnall Correctional Facility	Meat Processing	(75,384)	36,078	(16,400)	120,577
Robert Scott Correctional Facility	Plastic Bag (1)	(73,924)			
Newberry Correctional Facility	Potatoes (2)			(801)	(43,112)
Parr Highway Correctional Facility	License Plate	617,158	1,546,956	3,171,789	1,321,249
Carson City Correctional Facility	Garment	1,952,933	1,461,958	1,590,142	1,548,330
Robert Scott Correctional Facility	Janitorial Products	893,311	852,214	785,185	621,472
Parnall Correctional Facility	Shoe	858,746	621,547	651,080	640,591
G. Robert Cotton Correctional Facility	Mattress	573,595	649,771	650,552	414,324
Kinross Correctional Facility	Garment	439,858	511,106	806,253	473,848
Parnall Correctional Facility	Textile	420,415	647,137	506,783	270,378
Chippewa Correctional Facility	Garment	409,453	99,167	115,606	115,386
Earnest C. Brooks Correctional Facility	Laundry	177,205	58,379	255,056	179,795
G. Robert Cotton Correctional Facility	Garment	143,829	324,353	(5,186)	233,501
Marquette Branch Prison	Garment	177,142	71,942	158,867	123,416
Chippewa Correctional Facility	Laundry	32,543	115,536	256,633	212,766
Thumb Correctional Facility	Laundry	85,480	42,533	204,113	130,532
Gus Harrison Correctional Facility	Optical Lab	216,336	102,890	3,173	(111,075)
Parnall Correctional Facility	Carton	97,925	55,216	(90,039)	
Parnall Correctional Facility	Print	(140,610)	202,796	(9,353)	(103,381)
Total for 32 factories		\$ 3,070,659	\$ 3,428,014	\$ 6,495,925	\$ 3,521,626
Selling, administrative, and miscellaneous expenses:					
Selling expenses (3)		\$ (2,998,164)	\$ (3,143,447)	\$ (3,266,343)	\$ (3,339,412)
Administrative expenses		(2,213,276)	(2,515,693)	(2,674,096)	(2,954,133)
Miscellaneous expenses		(207,866)	(261,145)	(3,214)	
Total selling, administrative, and miscellaneous expenses		\$ (5,419,306)	\$ (5,920,286)	\$ (5,943,653)	\$ (6,293,545)
Miscellaneous revenues (4)		\$	\$ 67,271	\$ 95,502	\$ 116,064
Gain (Loss) from discontinued operations		\$ (148,959)	\$	\$	\$
Net income (loss) (per BCI)		\$ (2,497,606)	\$ (2,425,001)	\$ 647,774	\$ (2,655,856)
Difference from the State of Michigan Comprehensive Annual Financial Report (SOMCAFR) (5)		(428,394)	134,001	(295,774)	473,856
Net income (loss) (per SOMCAFR)		\$ (2,926,000)	\$ (2,291,000)	\$ 352,000	\$ (2,182,000)

(1) Factory closed.

(2) No BCI prisoner labor.

(3) Selling expenses consist of costs related to the sales department, payroll, marketing, the BCI catalog, and the distribution center.

(4) Miscellaneous revenues include scrap/recycling revenue.

(5) Differences result from immaterial adjustments in receivables, inventory, revenues, and expenses.

Source: BCI financial statements.



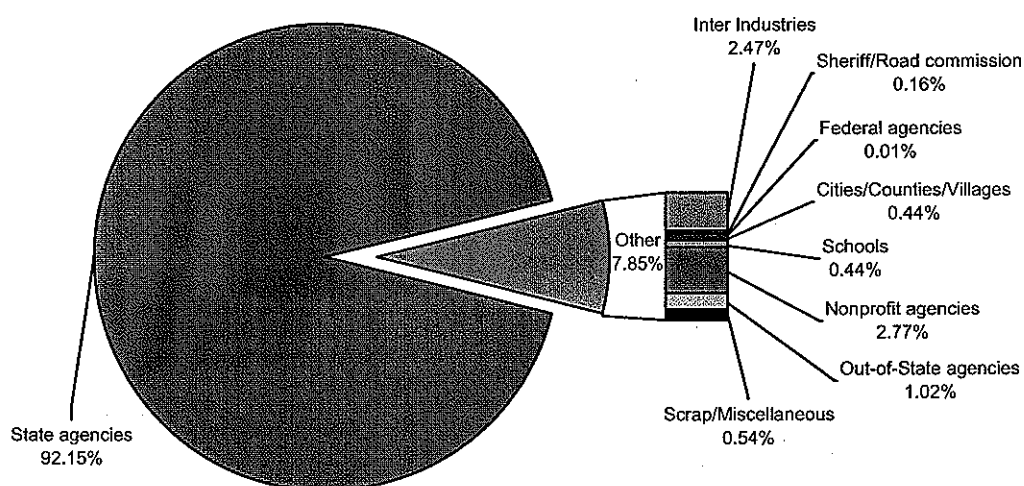




**BUREAU OF CORRECTIONAL INDUSTRIES (BCI)**  
Department of Corrections  
BCI Sales Distribution Schedule by Customer Type  
For Fiscal Years 2005-06 and 2006-07

	Fiscal Year		Average for Two-Year Period	Percentage of Total
	2005-06	2006-07		
Inter Industries	\$ 1,124,229	\$ 1,069,810	\$ 1,097,020	2.47%
State agencies	38,332,497	43,465,391	40,898,944	92.15%
Sheriff/Road commission	75,806	63,178	69,492	0.16%
Federal agencies	278	11,721	5,999	0.01%
Cities/Counties/Villages	244,444	142,422	193,433	0.44%
Schools	240,825	147,456	194,140	0.44%
Nonprofit agencies	1,326,949	1,134,350	1,230,649	2.77%
Out-of-State agencies	431,042	470,630	450,836	1.02%
Scrap/Miscellaneous	262,570	218,817	240,694	0.54%
<b>Total</b>	<b>\$ 42,038,639</b>	<b>\$ 46,723,774</b>	<b>\$ 44,381,207</b>	<b>100.00%</b>
<b>Total for non-State agencies</b>	<b>\$ 2,581,913</b>	<b>\$ 2,188,573</b>	<b>\$ 2,385,243</b>	
Non-State agencies' sales as a percentage of total agencies' sales	6.14%	4.68%	5.37%	

**BCI Sales by Customer Type**



Source: BCI



**BUREAU OF CORRECTIONAL INDUSTRIES**

Department of Corrections

Correctional Industries Revolving Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets

Fiscal Years Ended September 30

(In Thousands)

	1998	1999	2000	2001	2002	2003	2004
<b>OPERATING REVENUES</b>							
Operating revenues	\$ 29,445	\$ 31,526	\$ 44,096	\$ 40,589	\$ 42,308	\$ 34,835	\$ 36,472
Total operating revenues	\$ 29,445	\$ 31,526	\$ 44,096	\$ 40,589	\$ 42,308	\$ 34,835	\$ 36,472
<b>OPERATING EXPENSES</b>							
Salaries, wages, and other administrative expenses	\$ 13,285	\$ 14,341	\$ 18,629	\$ 22,430	\$ 22,668	\$ 22,000	\$ 22,548
Depreciation	\$ 1,323	\$ 1,372	\$ 1,451	\$ 1,544	\$ 1,601	\$ 1,570	\$ 1,691
Purchases for prison industries	\$ 12,620	\$ 12,236	\$ 16,723	\$ 15,528	\$ 16,690	\$ 15,454	\$ 14,204
Other operating expenses							
Leased vehicles expense	\$	\$	\$	\$	\$	\$	\$
Vehicle maintenance expense			1				
Total other operating expenses	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0
Total operating expenses	\$ 27,229	\$ 27,949	\$ 36,804	\$ 39,502	\$ 40,960	\$ 39,024	\$ 38,443
Operating income (loss)	\$ 2,217	\$ 3,577	\$ 7,292	\$ 1,087	\$ 1,349	\$ (4,189)	\$ (1,972)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Other nonoperating revenues	\$	\$	\$	\$	\$ 1	\$	\$
Interest expense	(388)	(285)	(279)	(219)	(299)	(265)	(292)
Other nonoperating expense	(412)	(504)	(84)	(74)	(229)	(106)	(744)
Total nonoperating revenues (expenses)	\$ (800)	\$ (789)	\$ (363)	\$ (293)	\$ (526)	\$ (371)	\$ (1,036)
Income (loss) before transfers	\$ 1,417	\$ 2,788	\$ 6,929	\$ 794	\$ 822	\$ (4,560)	\$ (3,008)
<b>TRANSFERS</b>							
Transfers from other funds	\$	\$	\$	\$	\$	\$ 5,241	\$
Transfers to other funds	(273)	(212)	(257)	(186)	(204)	(219)	(205)
Total transfers in (out)	\$ (273)	\$ (212)	\$ (257)	\$ (186)	\$ (204)	\$ 5,022	\$ (205)
Change in net assets	\$ 1,144	\$ 2,576	\$ 6,672	\$ 608	\$ 618	\$ 462	\$ (3,212)
Total net assets - Beginning of fiscal year - restated	19,970	21,114	23,690	31,895	32,503	33,121	33,583
Total net assets - End of fiscal year	\$ 21,114	\$ 23,690	\$ 30,362	\$ 32,503	\$ 33,121	\$ 33,583	\$ 30,371

Source: State of Michigan Comprehensive Annual Financial Report (SOMCAFR)



Exhibit 3

2005	2006	2007	2008
<u>\$ 36,454</u>	<u>\$ 39,963</u>	<u>\$ 45,481</u>	<u>\$ 41,366</u>
<u>\$ 36,454</u>	<u>\$ 39,963</u>	<u>\$ 45,481</u>	<u>\$ 41,366</u>
<u>\$ 22,202</u>	<u>\$ 23,905</u>	<u>\$ 23,600</u>	<u>\$ 24,036</u>
<u>\$ 1,512</u>	<u>\$ 1,503</u>	<u>\$ 1,480</u>	<u>\$ 1,422</u>
<u>\$ 15,060</u>	<u>\$ 16,286</u>	<u>\$ 19,641</u>	<u>\$ 17,826</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 38,773</u>	<u>\$ 41,694</u>	<u>\$ 44,721</u>	<u>\$ 43,284</u>
<u>\$ (2,319)</u>	<u>\$ (1,731)</u>	<u>\$ 760</u>	<u>\$ (1,919)</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>(188)</u>	<u>(339)</u>	<u>(393)</u>	<u>(252)</u>
<u>(211)</u>	<u>(29)</u>	<u>(15)</u>	<u>(11)</u>
<u>\$ (399)</u>	<u>\$ (368)</u>	<u>\$ (408)</u>	<u>\$ (264)</u>
<u>\$ (2,718)</u>	<u>\$ (2,100)</u>	<u>\$ 352</u>	<u>\$ (2,182)</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>(208)</u>	<u>(191)</u>		
<u>\$ (208)</u>	<u>\$ (191)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ (2,926)</u>	<u>\$ (2,291)</u>	<u>\$ 352</u>	<u>\$ (2,182)</u>
<u>30,371</u>	<u>27,445</u>	<u>25,154</u>	<u>25,506</u>
<u>\$ 27,445</u>	<u>\$ 25,154</u>	<u>\$ 25,506</u>	<u>\$ 23,324</u>



## **Description of Surveys**

We developed surveys requesting information from certain organizations regarding their association with the Bureau of Correctional Industries (BCI), doing business as Michigan State Industries.

We mailed surveys to 146 organizations that are customers of BCI and received 70 responses. A review of these responses indicated that most respondents were satisfied with product quality and their contacts with BCI. However, some respondents indicated that they were not aware of all products and services offered by BCI (see Finding 6). We referred these concerns to BCI for follow-up and provided BCI with a summary of the survey information.

We also mailed surveys to 100 organizations that are potential customers, including government and nonprofit organizations within a reasonable geographic area of BCI and received 48 responses. A review of these responses indicated that some respondents were not familiar with BCI products and services (see Finding 6). Also, potential customers indicated that BCI's prices were not competitive on various products; however, they may be interested in purchasing from BCI. We provided BCI with a summary of the survey information.



**BUREAU OF CORRECTIONAL INDUSTRIES (BCI)**  
 Department of Corrections  
Summary of Survey Responses From BCI Customers

Copies of Survey Delivered      146  
 Number of Responses              70  
 Response Rate                      48%

1. How frequently do you purchase MSI products?

20 Less than once a year  
5 Once a year  
41 More than once a year

2. Please rate the quality of the following products and services you have purchased from MSI.

	Excellent	Good	Fair	Poor	I have not purchased
a. Office desks and chairs	13	15	8	1	18
b. Metal files and storage cabinets	5	14	4	3	24
c. Conference and miscellaneous tables	7	12	4	1	27
d. Partitioning office systems	2	5	3	1	38
e. Interior and exterior signs	6	14	2	0	28
f. Vinyl ring binders and folders	5	11	5	2	30
g. Name plates and name tags	6	7	1	0	34
h. Corrugated cartons	1	6	1	0	40
i. Officers and law enforcement uniforms	3	9	10	4	26
j. General work clothing and footwear	1	8	5	7	26
k. Bed linens, towels, and blankets	2	10	11	1	24
l. Beds and mattresses	4	14	7	0	23
m. Janitorial cleaning chemicals	5	14	6	1	26
n. Laundry services	6	11	4	6	26
o. Furniture refinishing services	4	8	3	0	33
p. Print shop services	4	9	6	7	23
q. Prisoner clothing	2	10	8	4	24
r. Socks, T-shirts, and underwear	0	9	8	4	27
s. Recycling service	2	8	5	2	31
<b>Total</b>	<b>78</b>	<b>194</b>	<b>101</b>	<b>44</b>	<b>528</b>

3. Have you in the last 3 years had to return any products purchased from MSI?

a. 18 Yes  
 b. 46 No

4. If you answered yes to question 3, please indicate the quantity purchased and returned.

a. 15.9 Quantity purchased (average)  
 b. 13.8 Quantity returned (average)

5. If you responded yes to question 3, what are the reasons you have returned products purchased from MSI? (Please check all the reasons that apply.)

a. 2 I ordered too much of the product.  
 b. 8 I was not satisfied with the overall quality of the product.  
 c. 2 The product was broken.  
 d. 4 I was able to purchase the product elsewhere for a better price.  
 e. 4 The delivery time was too long.  
 f. 0 I changed my mind regarding the purchase.  
 g. 8 Other reason (please explain below).



6. Please identify which, if any, of the following products and services that you currently purchase from a company/business other than MSI that you may be interested in purchasing from MSI. (Please check all that apply.)

	I currently purchase this product or service elsewhere.	I may be interested in purchasing this product or service from MSI.	I currently purchase elsewhere but may be interested in purchasing from MSI.
a. Office desks and chairs	11	5	11
b. Metal files and storage cabinets	10	5	8
c. Conference and miscellaneous tables	10	7	4
d. Partitioning office systems	9	6	3
e. Interior and exterior signs	7	5	5
f. Vinyl ring binders and folders	14	6	10
g. Name plates and name tags	14	3	5
h. Corrugated cartons	7	2	3
i. Officers and law enforcement uniforms	6	2	5
j. General work clothing and footwear	7	2	4
k. Bed linens, towels, and blankets	7	3	9
l. Beds and mattresses	7	3	7
m. Janitorial cleaning chemicals	9	5	7
n. Laundry services	4	5	2
o. Furniture refinishing services	5	4	1
p. Print shop services	12	3	7
q. Prisoner clothing	4	3	7
r. Socks, T-shirts, and underwear	4	2	4
s. Recycling service	5	4	5
<b>Total</b>	<b>152</b>	<b>75</b>	<b>107</b>

7. Of the items you indicated you purchase elsewhere in question 6, what are the reasons you have not purchased them from MSI? (Please check all that apply.)

	I did not know this product or service was available from MSI.	Price is not competitive.	Quality is not competitive.	MSI delivery time is unacceptable.	MSI could not provide the quantity needed.	Other
a. Office desks and chairs	5	4	3	2	1	6
b. Metal files and storage cabinets	5	4	3	1	1	5
c. Conference and miscellaneous tables	5	4	1	0	1	5
d. Partitioning office systems	7	3	1	0	1	4
e. Interior and exterior signs	6	1	0	0	0	7
f. Vinyl ring binders and folders	9	3	1	2	0	8
g. Name plates and name tags	10	1	1	0	0	9
h. Corrugated cartons	5	2	0	1	0	3
i. Officers and law enforcement uniforms	5	1	0	1	0	4
j. General work clothing and footwear	5	2	0	0	0	4
k. Bed linens, towels, and blankets	10	3	1	0	0	4
l. Beds and mattresses	8	2	0	0	0	4
m. Janitorial cleaning chemicals	8	1	0	0	0	5
n. Laundry services	3	1	0	0	0	4
o. Furniture refinishing services	3	1	0	0	0	4
p. Print shop services	7	1	0	2	0	7
q. Prisoner clothing	8	1	0	0	0	3
r. Socks, T-shirts, and underwear	5	1	0	1	1	3
s. Recycling service	7	2	0	0	0	4
<b>Total</b>	<b>121</b>	<b>38</b>	<b>11</b>	<b>10</b>	<b>5</b>	<b>93</b>

8. How would you rate MSI sales people in their contacts with you in the following areas?

	Excellent	Very Good	Good	Fair	Poor	I did not have contact with MSI.
a. Initial contact	22	20	4	3	0	9
b. Periodic contacts to review your needs	16	17	5	4	5	9
c. Returning your calls or e-mails	25	15	6	3	1	5
d. Follow-up after the sale	17	12	7	1	5	9
<b>Total</b>	<b>80</b>	<b>64</b>	<b>22</b>	<b>11</b>	<b>11</b>	<b>32</b>



**BUREAU OF CORRECTIONAL INDUSTRIES (BCI)**  
 Department of Corrections  
Summary of Survey Responses From Potential BCI Customers

Copies of Survey Delivered 100  
 Number of Responses 48  
 Response Rate 48%

1. Are you familiar with the products and services provided by MSI?

a. 29 Yes  
 b. 18 No

2. Are you aware that your organization is eligible to purchase products and services from MSI?

a. 31 Yes  
 b. 17 No

3. Please identify which, if any, of the following products and services you may be interested in purchasing from MSI. (Please check all that apply.)

a. 17 Office desks and chairs  
 b. 12 Metal files and storage cabinets  
 c. 4 Conference and miscellaneous tables  
 d. 1 Partitioning office systems  
 e. 11 Interior and exterior signs  
 f. 15 Vinyl ring binders and folders  
 g. 13 Name plates and name tags  
 h. 5 Corrugated cartons  
 i. 15 Officers and law enforcement uniforms  
 j. 8 General work clothing and footwear  
 k. 16 Bed linens, towels, and blankets  
 l. 14 Beds and mattresses  
 m. 12 Janitorial cleaning chemicals  
 n. 3 Laundry services  
 o. 2 Furniture refinishing services  
 p. 5 Print shop services  
 q. 15 Prisoner clothing  
 r. 8 Socks, T-shirts, and underwear  
 s. 3 Recycling service

4. Please indicate the reasons that you have not purchased the following items from MSI. (Please check all that apply.)

	I did not know this product or service was available from MSI.	I have not recently needed these items.	Price is not competitive.	Quality is not competitive.	MSI delivery time is unacceptable.	MSI could not provide the quantity needed.
a. Office desks and chairs	18	16	3	1	0	0
b. Metal files and storage cabinets	17	14	4	1	0	0
c. Conference and miscellaneous tables	17	15	4	1	0	0
d. Partitioning office systems	15	16	2	0	0	0
e. Interior and exterior signs	17	12	2	1	0	0
f. Vinyl ring binders and folders	21	8	2	1	1	0
g. Name plates and name tags	20	10	2	1	1	0
h. Corrugated cartons	15	17	1	0	0	0
i. Officers and law enforcement uniforms	18	13	1	1	1	0
j. General work clothing and footwear	16	13	2	2	0	0
k. Bed linens, towels, and blankets	14	11	3	1	1	0
l. Beds and mattresses	14	12	2	2	0	0
m. Janitorial cleaning chemicals	16	11	4	0	0	0
n. Laundry services	14	17	2	0	0	0
o. Furniture refinishing services	14	15	1	0	1	0
p. Print shop services	16	13	3	0	0	0
q. Prisoner clothing	15	11	3	1	0	0
r. Socks, T-shirts, and underwear	13	15	2	1	0	0
s. Recycling service	17	13	1	0	0	0
<b>Total</b>	<b>307</b>	<b>252</b>	<b>44</b>	<b>14</b>	<b>5</b>	<b>0</b>



## GLOSSARY



## **Glossary of Acronyms and Terms**

<b>BCI</b>	Bureau of Correctional Industries.
<b>continuous quality improvement (CQI)</b>	A process that aligns the vision and mission of an organization with the needs and expectations of internal and external customers. It normally includes a process to improve program effectiveness and efficiency by assessing performance indicators that measure outputs and outcomes related to the program vision, mission, goals, and objectives.
<b>DOC</b>	Department of Corrections.
<b>effectiveness</b>	Program success in achieving mission and goals.
<b>efficiency</b>	Achieving the most outputs and outcomes practical with the minimum amount of resources.
<b>goal</b>	The agency's intended outcome or impact for a program to accomplish its mission.
<b>material condition</b>	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
<b>mission</b>	The agency's main purpose or the reason that the agency was established.
<b>MSI</b>	Michigan State Industries.
<b>objectives</b>	Specific outcomes that a program seeks to achieve its goals.
<b>outcomes</b>	The actual impacts of the program.



<b>outputs</b>	The products or services produced by the program.
<b>performance audit</b>	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.
<b>performance indicators</b>	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
<b>performance standards</b>	A desired level of output or outcome.
<b>reportable condition</b>	A matter that, in the auditor's judgment, falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the objectives of the audit; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
<b>sallyport</b>	A controlled, secure gate by which vehicles can enter the facility grounds through the perimeter fencing.
<b>SOMCAFR</b>	<i>State of Michigan Comprehensive Annual Financial Report.</i>



